

**PUBLIC DISCLOSURE**

APRIL 23, 2003

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**GLOUCESTER MUNICIPAL CREDIT UNION**

CITY HALL, DALE AVENUE  
GLOUCESTER MA. 01930

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **GLOUCESTER MUNICIPAL CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

**INSTITUTION'S CRA RATING: This institution is rated " Satisfactory "**

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Loan to Deposit ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending.

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods is 47.3 percent and meets the standards for satisfactory performance at this time.

An analysis of the credit union's lending activity by borrower income revealed that the majority or 90.0 percent of a sample of consumer loans was granted to low and moderate-income members. The credit union was deemed to meet the standards for satisfactory performance for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

When determining the overall rating, factors including the credit union's size, resources and staff limitations were considered.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Gloucester Municipal Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1941. The credit union was established to serve the credit needs of the municipal employees of the City of Gloucester. The credit union's sole office is located in City Hall, Dale Avenue, Gloucester, Massachusetts. The current credit union office hours are Monday through Friday 11:00AM to 3:00PM. As of September 2002, the credit union officially changed its Friday office hours from 10:00AM to 12:30PM to 11:00AM to 3:00PM to be consistent with Monday through Thursday hours. The new office hours are considered convenient and accessible to its members.

As of December 31, 2002, the institution's total assets were \$2.1 million with total loans representing \$850,000 or 39.2 percent of total assets. Based on the December 31, 2002 NCUA Call Report of Condition, the credit union's loan portfolio consists solely of personal loans.

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments.

Competition within the credit union's assessment area includes a variety of community based and industrial credit unions, small loan companies, and community banks. Given its asset size and financial capacity, Gloucester Municipal Credit Union has been successful in helping to meet the credit needs of its assessment area/ membership.

The Division of Banks last conducted a CRA examination on January 27, 1999, which resulted in the Gloucester Municipal Credit Union receiving a "Satisfactory" CRA rating.

### **Description of Assessment Area**

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation 209 CMR 46.41(8) a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Gloucester Municipal Credit Union, which is an industrial credit union, has a membership by-law provision based primarily on employment/occupation. Consequently for the purpose of this evaluation, the credit union's membership by-laws delineate the institution's assessment area.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT (SHARE) ANALYSIS**

The first criterion evaluated is the credit union's net loan to total deposit (share) ratio. The average net loan to total deposit ratio was determined to be 47.3 percent and is considered to meet the standard for satisfactory performance.

A comparative analysis of Gloucester Municipal Credit Union's net loan-to-deposits (shares) for the period June 30, 2001 through December 31, 2002 was conducted during this examination. The analysis incorporated net loans to total deposit figures from the institution's NCUA Call Report of Condition. For the purpose of this examination, the analysis is based on semi-annual reporting.

<b>Loan to Share Analysis</b>			
<b>Period</b>	<b>Net Loans</b>	<b>Shares</b>	<b>Ratio</b>
June 2001	758,190	1,519,853	50.0%
December 2001	758,984	1,501,453	50.5%
June 2002	756,222	1,719,624	44.0%
December 2002	826,343	1,840,322	44.9%

As demonstrated by the above table, the credit union experienced a decrease in its loan to share ratio between December 2001 and June 2002 periods. This decrease was due to increase in the deposit activity, which outpaced loan activity. Management indicated that the City of Gloucester experienced an administrative change as of January 1, 2002, which prompted overall job security concerns. Due to the concerns of an about employment many credit union members opted to follow a more conservative course in regards to the application for credit.

The following table provides a comparison of net loans to share ratios of credit unions with similar asset sizes. The ratios shown are calculated from NCUA Call report figures as of December 31, 2002.

<b>Comparative Loan to Deposit Ratios</b>	
<b>Gloucester Municipal CU</b>	<b>44.9%</b>
Belmont Municipal CU	46.6%
North Andover Municipal CU	58.3%

Gloucester Municipal Credit Union's loan-to-share ratio is reasonable in comparison to the other institutions.

Based on the above information Gloucester Municipal Credit Union appears to show a willingness to lend to its membership; thus, its average deposit ratio meets the standards for satisfactory performance.

## **2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The second performance criterion evaluates the extent to which the institution lends to members of different income levels, particularly members of low-and moderate- income within its membership. Consumer lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to meet standards for a satisfactory performance.

Borrower incomes were reviewed and compared to the median Family Household Income (FHI) for the Metropolitan Statistical Area (MSA) in which the members resides to determine borrower income levels. By definition, low income is defined as income below 50 percent of median income, moderate-income as income between 50 percent and 79 percent of median income, middle-income between 80 and 119 percent of median income and upper-income as income 120 percent or more of median income.

The majority of Gloucester municipal employees reside in the City of Gloucester, which falls within the Boston Metropolitan Statistical Area (MSA). The Boston MSA Median Family Household Income (FHI) for 2001, 2002, and 2003 was \$70,000, 74,200, and \$80,800, respectively.

### **Consumer Lending**

A sample of consumer loans granted in 2001, 2002 and YTD April 23, 2003 were reviewed for borrower income levels. Gloucester Municipal Credit Union granted 236 consumer loans totaling \$1,039,050 in 2001, 249 consumer loans totaling \$1,307,789 in 2002 and 61 loans totaling \$359,239 as of YTD April 23, 2003. A sample of 40 loans totaling \$225,000 was taken and is considered representative of consumer lending for the current examination period.

The following table provides a breakdown of the sample of consumer loans originated among the credit union's membership by applicant income level. The analysis indicates that the majority or 90.0 percent of the loans were granted to low- and moderate-income members, 7.5 percent to middle-income members, and 2.5 percent was granted to a member of upper income.

The following table presents the results of the above analysis.

Consumer Loan Originations by Income of Borrower by Number								
% of Median MSA Income	2001		2002		YTD 4/23/03		Total	
	#	%	#	%	#	%	#	%
<50%	8	53.3	8	53.3	6	60.0	22	55.0
50% - 79%	6	40.0	6	40.0	2	20.0	14	35.0
80% - 119%	0	0.0	1	6.7	2	20.0	3	7.5
120% >	1	6.7	0	0.0	0	0.0	1	2.5
<b>Total</b>	<b>15</b>	<b>100%</b>	<b>15</b>	<b>100%</b>	<b>10</b>	<b>100%</b>	<b>40</b>	<b>100%</b>

Source: In-House Files

The table below indicates that, by dollar amount, the majority or 85.8 percent of the consumer loans were to low- and moderate-income members, 11.1 percent to middle-income members, and 3.1 percent to a member of upper income.

Consumer Loan Originations by Income of Borrower by Dollar Amount								
% Of Median Msa Income	2001		2002		YTD 4/14/03		Total	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	40	48.2	45	47.4	19	40.5	104	46.3
50% - 79%	36	43.4	40	42.1	13	27.6	89	39.5
80% - 119%	0	0.0	10	10.5	15	31.9	25	11.1
120% >	7	8.4	0	0.0	0	0.0	7	3.1
<b>Total</b>	<b>83</b>	<b>100%</b>	<b>95</b>	<b>100%</b>	<b>47</b>	<b>100%</b>	<b>225</b>	<b>100%</b>

Source: In-House Files

The credit union's lending is dispersed through all categories of income levels of its membership, although it appears to be concentrated within the low and moderate-income categories. It should be noted that the majority of consumer loans were granted to single applicants. Since income is compared to median family income, there may be the tendency to overstate low and moderate-income participation in the above analysis. Nevertheless the credit union's distribution of lending appears to meet the credit needs of all members.

In conclusion, the analysis of the credit union's distribution of loans by borrower income level, according to this sample of consumer loans, demonstrates that a significant percentage of loans have been granted to low and moderate-income members. This distribution is satisfactory, given the income levels of the majority of the membership. Therefore, the credit union's lending for this criterion meets the standards for satisfactory performance.

### **3. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES**

A review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee prior to issuing a notice of denial.

The credit union's marketing activity includes placing information of its credit products and services within the various offices in the Gloucester Town Hall. The credit union also includes statement stuffers in correspondence sent out to the membership and there are brochures located in the credit union's lobby. Also, during the orientation process for new employees, the human resources department provides a "New Member Packet" which includes all information related to the products and services available through the credit union. The credit union also considers those members who are no longer current employees of the Town of Gloucester by sending them information related to banking and credit services.

The criterion for the various types of credit offered, as well as the procedures for completing a loan application were reviewed during the examination. No practices intended to discourage applications were found.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**GLOUCESTER MUNICIPAL CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 23, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_



## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.